



The Town of
**Leesburg,
Virginia**

ROBERT S. NOE, JR.
Town Manager

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August 23, 2004

The Honorable Mayor and Members of Council
Town of Leesburg
25 West Market Street
Leesburg, Virginia 20176

Madam Mayor and Members of Council:

Transmitted herewith is the approved Fiscal Year 2005 Budget, which is balanced without an increase in the real estate or personal property tax rates. The Town Council has again shown its commitment to public safety by approving five new positions including three police officers, one school resource officer and a communications technician. To increase our staff response to issues related to our downtown, the position of downtown coordinator was added. Protection of the environment was addressed by the funding of an urban forest management plan. To increase the efficiency of our operations, we will begin the reengineering of the town's information technology system. These are some of the new initiatives for FY 2005.

BUDGET HIGHLIGHTS

The budget for all town funds including capital projects is just over \$99 million. This is a 43% increase from FY 2004, due primarily to new capital projects such as the expansion of the water pollution control facility (\$24.3 million), and funding for drainage projects (\$5.1 million). The plant expansion is fully funded from non-town sources. The funds are categorized as follows:

	<u>FY 2004 Budget</u>	<u>FY 2005 Budget</u>	<u>Difference</u>	<u>% Change</u>
General Fund	\$33,004,410	\$36,411,871	\$ 3,407,461	10%
Utilities Fund	\$25,808,694	\$42,640,570	\$16,831,876	65%
Airport Fund	\$ 4,181,413	\$ 3,977,999	\$ 203,414	(-5)%
Capital Fund	\$ 6,309,633	\$16,075,864	\$ 9,766,231	155%
	\$69,304,150	\$99,106,304	\$29,802,154	43%

Below is a summary of Council actions regarding the General Fund:

- Maintains the real estate tax rate at \$0.22 per \$100 of assessed value
- Maintains the General Fund balance at 10%, a reserve of \$3,650,015
- Proposes 18 General Fund capital projects totaling \$16 million with a \$7.2 million bond and non-town funding sources
- Approved 16 new General Fund full time employees
- Creates the Office of Capital Projects Management
- Uses the Uran Trust Fund to provide funding to non-town agencies and the Police Department

In the Utilities Fund, there are no increases in the water and sewer rates. The town will hire six new full time employees to deal with increased workloads as the town continues to grow. Included in the budget is \$24.3 million to expand the water treatment plant to 15 million gallons per day and \$1.5 million to design the Water Pollution Control Facility expansion.

In the Airport Fund, there are no increases in tie-down and hangar fees because the Airport Commission substantially increased these in FY 2003. The airport will become more self-sufficient as space is leased in the new Stanley F. Caulkins terminal. Meanwhile, the airport will continue to require assistance from the General Fund. The Town will transfer \$432,040 from the General Fund to support the airport next year.

In the Capital Projects Fund, the Council proposes to issue \$7.2 million in bonds to fund additional capital projects. Some of the major projects are listed below:

- Catoctin Circle Trail Southwest \$310,000
- Dry Mill Road Improvements \$825,000
- West Market Street (sidewalk and drainage) \$550,000
- Drainage Studies \$200,000
- Ft. Evans Road Sidewalk and Drainage \$1.25 million
- Tuscarora Creek Improvements \$845,000
- Town Branch Improvements \$915,000

A summary of all the projects in outlined in the Introductory Section on Pages I-34 and I-35.

REVENUES

Revenue Outlook

Leesburg has worked hard to relieve individual homeowners of higher property tax bills through revenues produced by other sources such as sales, meals, and occupancy taxes, as well as user fees charged for recreation programs and development plan review. Leesburg citizens continue to enjoy the lowest tax rate among Northern Virginia's largest towns.

Below are the Town's major General Fund Revenue Sources:

- General Property Taxes. Property tax projections are based on a total anticipated value of real estate of approximately \$4.1 billion, up 15% from the current year's assessed value, which includes increases in assessment and new construction. We estimate real property tax collections of approximately \$9.34 million next year.
- Other Local Taxes. Other local sources of taxation include various consumer-driven taxes such as utilities, sales, cigarette, prepared food and lodging taxes. Projections reflect slight growth in this revenue category.
- Permits, Fees and Licenses. An increase of 5.2% (\$176,000) is projected due primarily to increases in Business and Occupational Licenses. Although two department stores have recently closed causing a revenue loss, a number of new stores such as Costco, Target and a Giant Foods should more than make up for the loss. The other revenue that remains strong is Motor Vehicle Licenses. With town growth, comes growth in the number of vehicle licenses issued. A 4% increase is projected. Revenues for plan review fees are projected to increase slightly.

- Intergovernmental. A 14% increase is expected in this category of revenues. State support for police programs and highway maintenance has increased 12% over last year. Other revenue sources such as ABC profits and car rental taxes are projected to be higher this year. The State's portion of the personal property tax is now reflected in this revenue category.
- Recreation Fees. With the expansion of the recreation center and new recreation programs being offered, recreation fees are projected to increase by 15%.

Below are the Town's major Utilities Fund Revenue Sources:

- Water and Sewer Service Charges. Revenues are expected to increase approximately 9% because of the connection of additional dwelling units and businesses and increased usage by existing customers.
- Availability and Connection Fees. Revenues are projected to remain strong. Fee collections vary from year to year depending upon development projects that are expected to be construction during the fiscal year.

Below are the Town's major Airport Fund Revenue Sources:

- Operating Revenues. Operating revenues are expected to increase 5% because of the full year lease payments for the expanded terminal space, and an increase in revenue from fuel sales, fixed base operator fees, and airport user fees.
- Transfer from the General Fund. Support to the airport will increase from \$311,925 to \$432,040. This includes funding for general operations and capital projects.

EXPENDITURES

The General Fund budget has \$36.4 million in expenditures. The major initiatives are:

- Information Technology initiatives will incorporate an Integrated Management System for integrating town software for efficient information sharing among departments and with Citizens. The proposal includes replacing obsolete servers, desktops and monitors to increase network connections to allow for efficient information sharing.
- Finance initiatives include the restructuring of certain accounting functions to strengthen external reporting, allocating, and balancing of revenues. Also included is the addition of senior accounting position.
- Economic Development initiative continues implementation of the Business Development Strategy with increased market analysis, assistance to business organizations and planning efforts.
- Human Resource initiative provides for the addition of a Human Resources Generalist to facilitate the recruiting, hiring, training, and maintaining of effective workforce.
- Planning and Zoning initiatives will continue to update the Town's Comprehensive Plan scheduled for completion in 2005. The department will add a planner to aide with the increased workload in development plan review. Furthermore, an Urban Forestry Management Plan will be developed to outline strategies to maintain and increase the Town's tree canopy.

- Police initiatives We will hire three police officers, a school resource officer, and a communications technician. This will raise the number of sworn police officers from 64 to 68.
- Office of Capital Projects Management This new office, that was part of the Department of Engineering and Public Works, was created to provide for specialization in supervising, coordinating, and managing construction and contracts for major capital improvements. To facilitate the new projects proposed as part of the CIP, two additional engineers will be added to the capital projects team.
- Engineering and Public Works initiatives include the addition of an engineer for Stormwater Management and the addition of four Maintenance Workers for the streets team to maintain a safe, healthy, clean, and beautiful environment in the Town for citizens and visitors.

STAFFING AND EMPLOYEE COMPENSATION

The budget will fund our Pay for Performance System. The plan calls for:

- A Pay for Performance system that allows for a continuation of the merit increase program, with ranges from 2%-5%, for employees receiving the merit pay.
- A 2% cost of living adjustment to current employee's salary.
- A 2% increase in the pay ranges.

ORGANIZATIONAL CHANGE AND HIGH PERFORMANCE

Organizational change has been evident in the activities of the operating departments as well as the inclusive, collaborative environment of the staff's leadership group called "Leadership Leesburg". We have incorporated a participatory model of decision making to tackle some of the toughest problems facing Leesburg, including E-government concepts, citizen communication and changing demographics. In this collaborative environment, it was a natural outgrowth to invite all of the department directors to be the ad hoc budget committee.

CAPITAL PROJECTS AND DEBT SERVICE

Council places a high priority on completing capital projects on time and on budget. Our capital projects construction managers and refined policies and processes, and the newly created Office of Capital Projects Management will help the town plan and complete the numerous capital projects planned for the future.

Leesburg's capital improvement needs are numerous, but how to pay for them becomes of paramount importance since the debt service for bonds gets first funding in the following year's budget. The \$7.2 million bond proposed to pay for various capital projects in FY 2005 is estimated to increase the Town's debt service by \$650,000 for FY 2006. The yearly cost to the General Fund to pay for the Loudoun Street building addition is estimate at \$525,000 per year and once the town completes a drainage study which will review twenty different potential problem areas, additional bond financing will be needed to address recommendation of the study. As we plan for the future capital needs of our community, we must always keep in mind the effects of the debt we approve and the long-term impact on the town.

Madam Mayor and Council

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CLOSING

Producing a budget is a major effort. Mike Freda, Management/Budget Officer and Bob Berkey, Management/Budget Analyst spent countless hours preparing the document. The department directors met several times to rank the program change proposals. To each I offer a genuine “thank you”. I appreciate the contributions they made and the perspectives they shared.

The staff and I look forward to implementing the budget as you have approved it.

Very truly yours,

Robert S. Noe, Jr.